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Bhutto Clan Leaves Trail of Corruption in Pakistan

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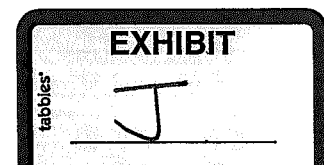
By JOHN F. BURNS

ISLAMABAD, Pakistan -- A decade after she led this impoverished nation from military rule to democracy, Benazir Bhutto is at the heart of a widening corruption inquiry that Pakistani investigators say has traced more than \$100 million to foreign bank accounts and properties controlled by Bhutto's family.

Starting from a cache of Bhutto family documents bought for \$1 million from a shadowy intermediary, the investigators have detailed a pattern of secret payments by foreign companies that sought business favors during Bhutto's two terms as Pakistan's prime minister.

HOUSE OF GRAFT
Tracing the Bhutto
Millions
A special report.

The documents leave uncertain the degree of involvement by Bhutto, a Harvard graduate whose rise to power in 1988 made her the first woman to lead a Muslim country. But they trace the pervasive role of her husband, Asif Zardari, who turned his marriage to Bhutto into a source of virtually unchallengeable power.



In 1995, a leading French military contractor, Dassault Aviation, agreed to pay Zardari and a Pakistani partner a \$200 million commission for a \$4 billion jet fighter deal that fell apart only when Bhutto's government was dismissed. In another deal, a leading Swiss company hired to curb customs fraud in Pakistan paid millions of dollars between 1994 and 1996 to offshore companies controlled by Zardari and Bhutto's widowed mother, Nusrat Bhutto.

In the largest single payment investigators have discovered, a gold bullion dealer in the Middle East was shown to have deposited at least \$10 million into one of Zardari's accounts after the Bhutto government gave him a monopoly on gold imports that sustained Pakistan's jewelry industry. The money was deposited into a Citibank account in the United Arab Emirates sheikdom of Dubai, one of several Citibank accounts used by Zardari.

Together, the documents provided an extraordinarily detailed look at high-level corruption in Pakistan, a nation so poor that perhaps 70 percent of its 130 million people are illiterate, and millions have no proper shelter, no schools, no hospitals, not even safe drinking water. During Bhutto's five years in power, the country became so enfeebled that she spent much of her time negotiating loans to stave off default on more than \$62 billion in public debt.

A worldwide search for properties secretly bought by the Bhutto family is still in its early stages. But the inquiry has so far found that Zardari went on a shopping spree in the mid-1990s, purchasing among other things a \$4 million, 355-acre estate south of London. Over eight months in 1994 and 1995, he used a Swiss bank account and an American Express card to buy jewelry worth \$660,000 -- including \$246,000 at Cartier Inc. and Bulgari Corp. in Beverly Hills, Calif., in barely a month.

In separate interviews in Karachi, Bhutto, 44, and Zardari, 42, declined to address specific questions about the Pakistani inquiry, which they dismissed as a political vendetta by Bhutto's successor as prime minister, Nawaz Sharif. In Karachi Central Prison, where he has been held for 14 months on charges of murdering Bhutto's brother, Zardari described the corruption allegations as part of a "meaningless game." But he offered no challenge to the authenticity of the documents tracing some of his most lucrative deals.

Bhutto originally kindled wild enthusiasms in Pakistan with her populist brand of politics, then suffered a heavy loss of support as the corruption allegations against her and her husband gained credence. In an interview at her fortresslike home set back from Karachi's Arabian Sea beachfront, she was by turns tearful and defiant.

"Most of those documents are fabricated," she said, "and the stories that have been spun around them are absolutely wrong."

But she refused to discuss any of the specific deals outlined in the documents, and did not explain how her husband had paid for his property and jewelry. Lamenting what she described as "the irreparable damage done to my standing in the world" by the corruption inquiry, she said her family had inherited wealth, although not on the scale implied by tales of huge bank deposits and luxury properties overseas.

"I mean, what is poor and what is rich?" Bhutto asked. "If you mean, am I rich by European standards, do I have a billion dollars, or even a hundred million dollars, even half that, no, I do not. But if you mean that I'm ordinary rich, yes, my father had three children studying at Harvard as undergraduates at the same time. But this wealth never meant anything to my

brothers or me."

The Student: Privileged Learning, Populist Platitudes

Bhutto, a student at Harvard and Oxford for six years in the 1970s, has been a vocal critic of "avaricious politicians." In a Harvard commencement speech in 1989, she said that such people had looted developing countries and left them without the means to tackle their social problems. Since she was ousted as prime minister during her second term, on Nov. 5, 1996, on charges that included gross corruption, she has been the leader of Pakistan's main opposition group, the Pakistan People's Party.

Some details of the allegations against Bhutto and Zardari appeared in European and American newspapers last fall, after Pakistani investigators began releasing some of the Bhutto family documents. But a much fuller picture emerged when several thick binders full of documents were made available to The New York Times over a period of several days in October. The Times' own investigation, lasting three months, extended from Pakistan to the Middle East, Europe and the United States, and included interviews with many of the central figures named by the Pakistani investigators.

Officials leading the inquiry in Pakistan say that the \$100 million they have identified so far is only a small part of a much larger windfall from corrupt activities. They maintain that an inquiry begun in Islamabad immediately after Bhutto's dismissal in 1996 found evidence that her family and associates generated more than \$1.5 billion in illicit profits through kickbacks in virtually every sphere of government activity -- from rice deals, to the sell-off of government land, even rake-offs from government welfare schemes.

The Pakistani officials say their key break came last summer, when an informer offered to sell documents that appeared to have been taken from the Geneva office of Jens Schlegelmilch, whom Bhutto described as the family's attorney in Europe for more than 20 years, and as a close personal friend. Pakistani investigators have confirmed that the original asking price for the documents was \$10 million. Eventually the seller traveled to London and concluded the deal for \$1 million in cash.

The identity of the seller remains a mystery. Schlegelmilch, 55, developed his relationship with the Bhutto family through links between his Iranian-born wife and Bhutto's mother, who was also born in Iran. In a series of telephone interviews, he declined to say anything about Zardari and Bhutto, other than that he had not sold the documents. "It wouldn't be worth selling out for \$1 million," he said.

The documents included: statements for several accounts in Switzerland, including the Citibank accounts in Dubai and Geneva; letters from executives promising payoffs, with details of the percentage payments to be made; memorandums detailing meetings at which these "commissions" and "remunerations" were agreed on, and certificates incorporating the offshore companies used as fronts in the deals, many registered in the British Virgin Islands.

The documents also revealed the crucial role played by Western institutions. Apart from the companies that made payoffs, and the network of banks that handled the money -- which included Barclay's Bank and Union Bank of Switzerland as well as Citibank -- the arrangements made by the Bhutto family for their wealth relied on Western property companies, Western lawyers and a network of Western friends.

As striking as some of the payoff deals was the clinical way in which top Western executives concluded them. The documents showed painstaking negotiations over the payoffs, followed by secret contracts. In one case, involving Dassault, the contract specified elaborate arrangements intended to hide the proposed payoff for the fighter plane deal, and to prevent it from triggering French corruption laws.

Because Pakistan's efforts to uncover the deals have been handled in recent months by close aides of Prime Minister Sharif, who has alternated with Bhutto at the head of four civilian governments in Pakistan since the end of military rule 10 years ago, the investigation has been deeply politicized. Last week, the Sharif aides forwarded 12 corruption cases against Bhutto, Zardari and Nusrat Bhutto to the country's "accountability commission," headed by a retired judge, who has the power to approve formal indictments.

Apart from bolstering Sharif's power by exposing Bhutto and her family, Sharif's aides hope to protect him against the possibility that she will one day return to office and turn the tables on him. Sharif, who is 48, battled for years during Bhutto's tenure to stay out of jail on a range of corruption charges, including allegations that he took millions of dollars in unsecured loans from state-owned banks for his family's steel empire, then defaulted.

The Heritage: Landowning Class Accustomed to Rule

The Bhuttos are among a few hundred so-called feudal families, mostly large landowners, that have dominated politics and business in Pakistan since its creation in 1947.

Bhutto's father was an Oxford-educated landowner who became Pakistan's prime minister in the 1970s, only to be ousted and jailed in 1977 when his military chief, Gen. Mohammed Zia ul-Haq, mounted a coup. Bhutto was hanged two years later, after he refused Zia's offer of clemency for a murder conviction that many Pakistanis regarded as politically tainted.

Benazir Bhutto, the eldest of four children, spent the next decade under house arrest, in jail or in self-imposed exile, campaigning against Zia's military regime.

In 1987 she married Zardari, little known then for anything but a passion for polo. It was an arranged union, with Bhutto's mother picking the groom. Many Pakistanis were startled by the social and financial differences. By the Bhuttos' standards, Zardari's family was of modest means, with limited holdings and a rundown movie theater in Karachi. Zardari's only experience of higher education was a stint at a commercial college in London.

In part the match was intended to protect Bhutto's political career by countering conservative Muslims' complaints about her unmarried status. Barely eight months later, in 1988, Zia was killed in a mysterious plane crash, which opened the way for Bhutto to win a narrow election victory.

Years later, many Pakistanis still speak of the mesmeric effect she had at that moment, as the daughter who had avenged her father and the politician who had restored democracy. But euphoria faded fast. Within months, newspapers were headlining allegations of dubious deals. In the bazaars, traders soon dubbed Zardari "Mr. 10 Percent."

Twenty months after she took office, Bhutto was dismissed by Pakistan's president on grounds of corruption and misrule. But the Sharif government that succeeded Bhutto was unable to

secure any convictions against her or her husband before Sharif, in turn, was ousted from office, also for corruption and misrule.

Mostly, Pakistanis gave Bhutto the benefit of the doubt after her first term, saying she might not have known what Zardari was doing. She was further aided by public suspicion of Sharif's motives. A taciturn man who got his start in politics as a protege of Zia, Sharif has left little doubt of his chagrin at having been overshadowed by Bhutto.

Part of his discomfort stemmed from her success in fostering a favorable image for herself in the United States, as a staunch foe of Muslim fundamentalism, a relentless campaigner for the rights of the poor and -- a point she stressed in her Harvard speech in 1989 -- an opponent of leaders who use their power for personal gain, then "leave the cupboard bare."

When she took office as prime minister again, after a victory in 1993, Bhutto struck many of her friends as a changed person, obsessed with her dismissal in 1990, high-handed to the point of arrogance, and contemptuous of the liberal principles she had placed at the center of her politics in the 1980s. "She no longer made the distinction between the Bhuttos and Pakistan," said Hussain Haqqani, Bhutto's former press secretary. "In her mind, she was Pakistan, so she could do as she pleased."

Bhutto's twin posts, as prime minister and finance minister, gave her virtually free rein. Zardari became her alter ego, riding roughshod over the bureaucracy although he had no formal economic powers until Bhutto appointed him Investment Minister, reporting only to herself, in July 1996. They maintained an imperial lifestyle in the new prime minister's residence in Islamabad, a \$50 million mansion set on 110 acres on an Islamabad hilltop.

Within days of moving in, Zardari ordered 11.5 acres of protected woodland on an adjoining hilltop to be bulldozed for a polo field, an exercise track, stabling for 40 polo ponies, quarters for grooms and a parking lot for spectators. When a senior government official, Mohammed Mehdi, objected to paying for the project with \$1.3 million diverted from a budget for parks and other public amenities, Zardari "categorically told me that he does not appreciate his orders to be examined and questioned by any authority," according to an affidavit filed with the Pakistani investigators by Mehdi. A few months later, with the work in progress, Zardari had Mehdi dismissed.

The investigators say that Zardari and associates he brought into the government, some of them old school friends, began reviewing state programs for opportunities to make money. It was these broader activities, the investigators assert, more than the relatively small number of foreign deals revealed in the documents taken from the Swiss lawyer, that netted the largest sums for the Bhutto family.

Among the transactions Zardari exploited, according to these officials: defense contracts; power plant projects; the privatization of state-owned industries; the awarding of broadcast licenses; the granting of an export monopoly for the country's huge rice harvest; the purchase of planes for Pakistan International Airlines; the assignment of textile export quotas; the granting of oil and gas permits; authorizations to build sugar mills, and the sale of government lands.

The officials have said that Bhutto and Zardari took pains to avoid creating a documentary record of their role in hundreds of deals. How this was done was explained by Najam Sethi, a

former Bhutto loyalist who became the editor of Pakistan's most popular political weekly, Friday Times, then was drafted to help oversee a corruption inquiry undertaken by the caretaker government that ruled for three months after Bhutto's dismissal in 1996.

Sethi said Bhutto and Zardari adopted a system under which they assigned favors by writing orders on yellow Post-It notes and attaching them to official files. After the deals were completed, Sethi said, the notes were removed, destroying all trace of involvement.

When Sharif won a landslide election victory earlier this year, the corruption inquiry appeared, again, to fizzle. But a few days before the election, the caretakers hired Jules Kroll Associates, a New York investigative agency, to look for evidence of corruption abroad. The Kroll investigators put out feelers in Europe; Sharif's aides said it was one of these that produced the offer to sell the Bhutto family documents, and that they took over from Kroll Associates and completed the deal.

The Negotiations: Flight and Crash of a Dassault Deal

Potentially the most lucrative deal uncovered by the documents involved the effort by Dassault Aviation, the French military contractor, to sell Pakistan 32 Mirage 2000-5 fighter planes. These were to replace two squadrons of American-made F-16s whose purchase was blocked when the Bush administration determined in 1990 that Pakistan was covertly developing nuclear weapons.

In April 1995, Dassault found itself in arm's-length negotiations with Zardari and Amer Lodhi, a Paris-based lawyer and banker who had lived for years in the United States, working among other things as an executive of the now-defunct Bank of Commerce and Credit International. Lodhi's sister, Maleeha, a former Pakistan newspaper editor, became Bhutto's ambassador to the United States in 1994.

Schlegelmilch, the Geneva lawyer, wrote a memo for his files describing his talks at Dassault's headquarters on the Champs-Elysees in Paris. According to the memo, the company's executives offered a "remuneration" of 5 percent to Marleton Business SA, an offshore company controlled by Zardari. The memo indicated that in addition to Dassault, the payoff would be made by two companies involved in the manufacture of the Mirages: Snecma, an engine manufacturer, and Thomson-CSF, a maker of aviation electronics.

The documents offered intriguing insights into the anxieties that the deal aroused. In a letter faxed to Geneva, the Dassault executives -- Jean-Claude Carrayrou, Dassault's director of legal affairs, and Pierre Chouzenoux, the international sales manager -- wrote that "for reasons of confidentiality," there would be only one copy of the contract guaranteeing the payoff. It would be kept at Dassault's Paris office, available to Schlegelmilch only during working hours.

The deal reached with Schlegelmilch reflected concerns about French corruption laws, which forbid bribery of French officials but permit payoffs to foreign officials, and even make the payoffs tax-deductible in France. The Swiss and the French have resisted American pressures to sign a worldwide treaty that would hold all businesses to the ethical standards of American law, which sets criminal penalties for bribing foreign officials.

"It is agreed that no part of the above-mentioned remuneration will be transferred to a French

citizen, or to any company directly or indirectly controlled by French individuals or companies, or to any beneficiary of a resident or nonresident bank account in France," one of the Dassault documents reads.

Negotiations on the Mirage contract were within weeks of completion when Bhutto was dismissed by another Pakistani president in 1996. They have bogged down since, partly because Pakistan has run out of money to buy the planes, and partly because the Pakistan Army, still politically powerful a decade after the end of military rule, waited until Bhutto was removed to weigh in against the purchase.

A Dassault spokesman, Jean-Pierre Robillard, said Carrayrou, the legal affairs director, had retired. Two weeks after he was sent a summary of the documents, Robillard said that the company had decided to make no comment.

The Profits: Scams at Both Ends of Customs System

One deal that appears to have made a handsome profit for Zardari involved Pakistan's effort to increase its customs revenues. Since fewer than one in every 100 Pakistanis pays income tax, customs revenues represent the state's largest revenue source. But for decades the system has been corrupted, with businesses underinvoicing imports, or paying bribes, to escape duties.

In the 1980s Pakistan came under pressure from the International Monetary Fund to increase government revenues and to cut a runaway budget deficit. During Bhutto's first term, Pakistan entrusted preshipment "verification" of all major imports to two Swiss companies with blue-ribbon reputations, Societe Generale de Surveillance SA and a subsidiary, Cotecna Inspection SA. But the documents suggest that this stab at improving Pakistan's fiscal soundness was quickly turned to generating profits for the Bhutto family's accounts.

In 1994, executives of the two Swiss companies wrote promising to pay "commissions" totaling 9 percent to three offshore companies controlled by Zardari and Nusrat Bhutto. A Cotecna letter in June 1994 was direct: "Should we receive, within six months of today, a contract for inspection and price verification of goods imported into Pakistan," it read, "we will pay you 6 percent of the total amount invoiced and paid to the government of Pakistan for such a contract and during the whole duration of that contract and its renewal."

Similar letters, dated March and June 1994, were sent by Societe Generale de Surveillance promising "consultancy fees" of 6 percent and 3 percent to two other offshore companies controlled by the Bhutto family. According to Pakistani investigators, the two Swiss companies inspected more than \$15.4 billion in imports into Pakistan from January 1995 to March 1997, making more than \$131 million. The investigators estimated that the Bhutto family companies made \$11.8 million from the deals, at least a third of which showed up in banking documents taken from the Swiss lawyer.

For Societe Generale de Surveillance, with 35,000 employees and more than \$2 billion a year in earnings, the relationship with the Bhutto family has been painful. In addition to doing customs inspections, the company awards certificates of technical quality. In effect, its business is integrity.

In an interview in Geneva, Elisabeth Salina Amorini, president of Societe Generale, said the

Pakistan contracts had been the subject of an internal company inquiry. But Ms. Salina Amorini, a 42-year-old lawyer, said the company had reorganized its government contracts division under a new executive and had sold Cotecna, acquired in 1994, back to the family that had previously owned it. The internal inquiry, she told reporters in Geneva last month, had shown "a number of inadequacies which enabled certain irregularities to take place."

Ms. Salina Amorini said in the interview that a study of Societe Generale's dealings with Pakistan had uncovered a \$650 million shortfall in customs revenues that the Bhutto government was supposed to have collected over a 21-month period in 1995 and 1996. She said the company had reported the shortfall to Washington-based officials of the monetary fund and the World Bank, which monitor customs revenues to check Pakistan's compliance with conditions set for emergency loans. The conditions are meant to help the country avoid default on its foreign debt.

Officials at the two financial institutions are investigating the Swiss company's report to determine whether the customs system was corrupted at both ends -- from commissions paid to Bhutto family companies on the preshipment inspection contracts and, later, in illicit payments by Pakistani importers seeking to avoid customs duties.

The Gold Connection: Granting a License, Reaping a Profit

Pakistan's Arabian Sea coast, stretching from Karachi to the border with Iran, has long been a gold smugglers' haven. Until the beginning of Bhutto's second term, the trade, running into hundreds of millions of dollars a year, was unregulated, with slivers of gold called biscuits, and larger weights in bullion, carried on planes and boats that travel between the Persian Gulf and the largely ungarded Pakistani coast.

Shortly after Bhutto returned as prime minister in 1993, a Pakistani bullion trader in Dubai, Abdul Razzak Yaqub, proposed a deal: In return for the exclusive right to import gold, Razzak would help the government regularize the trade.

In January 1994, weeks after Bhutto began her second term, Schlegelmilch established a British Virgin Island company known as Capricorn Trading, SA, with Zardari as its principal owner. Nine months later, on Oct. 5, 1994, an account was opened at the Dubai offices of Citibank in the name of Capricorn Trading. The same day, a Citibank deposit slip for the account shows a deposit of \$5 million by Razzak's company, ARY Traders. Two weeks later, another Citibank deposit slip showed that ARY had paid a further \$5 million.

In Nov. 1994, Pakistan's Commerce Ministry wrote to Razzak informing him that he had been granted a license that made him, for at least the next two years, Pakistan's sole authorized gold importer. In an interview in his office in Dubai, Razzak acknowledged that he had used the license to import more than \$500 million in gold into Pakistan, and that he had traveled to Islamabad several times to meet with Bhutto and Zardari. But he denied that there had been any secret deal. "I have not paid a single cent to Zardari," he said.

Razzak offered an unusual explanation for the Citibank documents that showed his company paying the \$10 million to Zardari, suggesting that someone in Pakistan who wished to destroy his reputation had contrived to have his company wrongly identified as the depositor. "Somebody in the bank has cooperated with my enemies to make false documents," he said.

The Documentation: Erasing the Proofs of Secret Power

The Pakistani investigation of Bhutto's two terms in office has tied a range of overseas properties to her husband and other family members. Among these are Rockwood, a 355-acre estate south of London, and a \$2.5 million country manor in Normandy. The listed owners of the manor, which is known as the House of the White Queen, are Hakim and Zarrin Zardari, Bhutto's parents-in-law, who had only modest assets when she married Zardari.

Other properties that Pakistani investigators have linked to members of the Bhutto family include a string of luxury apartments in London. Pakistan has asked the U.S. Justice Department to investigate still more bank accounts and properties, including a country club and a polo ranch in Palm Beach County, Fla., said to be worth about \$4 million, that were bought by associates of Zardari in the mid-1990s.

The Pakistani request to Washington, made in December, also sought American help in checking allegations that some of Zardari's wealth may have come from Pakistani drug traffickers paying for protection. In the past decade, Pakistan and its neighbor Afghanistan have become the world's largest source of heroin, shipping 250 tons of it every year to Europe and the United States.

The purchase of overseas properties by well-connected members of the elite in a developing country is hardly a new phenomenon. But the disclosures about Bhutto's family have underscored a trend that international financial officials have long found troubling: the willingness of the monetary fund and the World Bank, which are substantially financed by the United States, to prop up economies like Pakistan's that have been bled dry by corruption.

A former high-ranking official of the World Bank in Islamabad who requested anonymity acknowledged that both institutions were all too willing to make additional loans on the vague promise that corruption would be reined in. "We made a mantra out of the phrase 'good governance,'" the official said, "as though we intended to try and stamp the corruption out. But the truth is that we turned a blind eye, telling ourselves this is the way things are done in Pakistan, and it's not our business to stop it."

In the years Bhutto was in office, Pakistan received billions of dollars in new loans, much of it to enable the country to pay interest on its debt. By 1996, interest on the accumulated public debt, including \$32 billion in foreign loans, was absorbing nearly 70 percent of state revenues. With Pakistan's defense costs absorbing the remaining 30 percent, scarcely anything was left for the social programs that Bhutto had promised.

While The Times inquiry confirmed some of the allegations made by the Pakistani investigators, other matters remained unresolved. For example, none of the documents for the foreign bank accounts or offshore companies uncovered thus far bear Bhutto's name, nor do any of the letters promising payoffs make any mention of her.

The only document that refers to Bhutto is a handwritten ledger for an account at the Union Bank of Switzerland in Geneva. In Schlegelmilch's handwriting, the ledger contains the notation "50 percent AAZ 50 percent BB." This account showed deposits of \$1.8 million for one 90-day period in 1994 and received at least \$860,000 in payments by the two Swiss customs-inspection companies.

Some of Bhutto's friends say she cannot fairly be held accountable for her husband's questionable deals, since she was too busy as prime minister to know of them. Others say Bhutto, having lost her father and both of her brothers in tragic circumstances, became so dependent emotionally on Zardari, with whom she has three children, that she told friends she found it impossible to rein him in.

Her younger brother, Shahnawaz, died of poisoning in Cannes, France, in 1985 after a dispute that Murtaza Bhutto, her older brother, linked to arguments over family assets stashed in Switzerland. Murtaza Bhutto was killed by a police hit squad in Karachi in September 1986, after a long-running power struggle with his sister and her husband. Zardari has been charged with masterminding the second murder, but he and Bhutto say he was framed by their political enemies.

Officials in Bhutto's two governments tell another story, of Zardari's holding meetings on some of his deals in the prime minister's residence, and of his invoking his wife's authority when ordering officials to override regulations meant to prevent graft in the assignment of contracts.

Furthermore, several senior officials in Bhutto's governments said they had met with repeated rebuffs when they tried to warn her about Zardari. One senior minister said that when he had raised the issue, "She said, 'How dare you talk to me like that?' and stalked out."

Nor has Bhutto made any effort to distance herself from Zardari's activities. In the Karachi interview, she said her husband's deals had been made only for Pakistan's benefit. "He's a very generous person," she said. "His weakness, and his strength, is that he's always trying to help people."

The tax returns filed by Bhutto and her husband in her years in office give no hint of the wealth uncovered by the Pakistani inquiry. Bhutto, Zardari and Nusrat Bhutto declared assets totaling \$1.2 million in 1996 and never told Pakistani authorities of any foreign bank accounts or properties, as required by law in Pakistan. Zardari declared no net assets at all in 1990, the year Bhutto's first term ended, and only \$402,000 in 1996.

The family's income tax declarations were similarly modest. The highest income Bhutto declared was \$42,200 in 1996, with \$5,110 in tax. In two of her years as prime minister, 1993 and 1994, she paid no income tax at all. Zardari's highest declared income was \$13,100, also in 1996, when interest on bank deposits he controlled in Switzerland exceeded that much every week.

Pakistan's inquiry is in its early phases, but it has already prompted international action. Swiss officials have frozen 17 bank accounts belonging to the Bhutto family, and authorities in Britain and France are searching for other accounts and properties. In recent weeks, Bhutto has maintained a heavy travel schedule, flying between Pakistan, Dubai and Geneva, as well as between London and New York, a route that she flew on a supersonic Concorde in October.

Bhutto described the investigation as a persecution. At one point she attacked the Clinton administration, saying it had ignored her plight while deploring the treatment of Daw Aung San Suu Kyi, the Burmese opposition leader and Nobel laureate who has suffered various forms of persecution by the Burmese military.

"This is the most horrendous human rights record, what is happening to me, the former prime minister of Pakistan," Bhutto said. "It is shocking to see that the Clinton administration talks so much about Burma, when this is happening to a woman who leads the opposition here." Tears welling in her eyes, she added, "The Bhuttos have suffered so much for Pakistan."

Jeff Gerth in Washington and Elizabeth G. Olson in Geneva contributed reporting for these articles.



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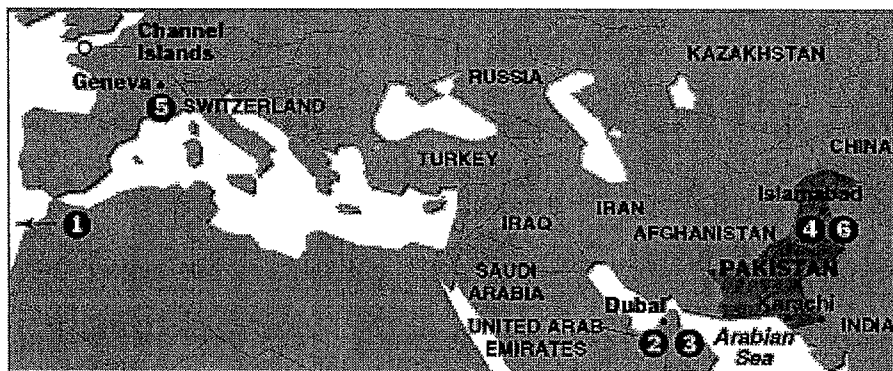
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BRITISH
AIRWAYS

The Gold Connection

Pakistan's Arabian Sea coast has long been a gold smugglers' haven. Shortly after Benazir Bhutto began her second term as Prime Minister in October 1993, a Dubai-based bullion trader, Abdul Razzak Yaqub, proposed that the Government begin to regulate the trade by granting him an import license. Documents obtained by The New York Times show the following sequence.



1 JAN. 5, 1994 Capricorn Trading, a company controlled by Asif Ali Zardari, Ms. Bhutto's husband, is incorporated in the British Virgin Islands.

2 EARLY 1994 Abdul Razzak Yaqub, a Pakistani bullion trader in Dubai, offers to help the Pakistani Government regulate the gold trade in return for a gold import license.

3 OCT. 5, 1994 An account in the name of Capricorn Trading is opened at Citibank's main branch in Dubai. In the next two weeks, Citibank documents show, Mr. Razzak's company, ARY Traders, deposits \$10 million in the Capricorn account.

4 DEC. 13, 1994 The Bhutto Government awards Mr. Razzak an exclusive import license. He ships more than \$500 million in gold into Pakistan over the next three years.

5 MARCH-MAY 1995 More than \$18 million is transferred from the account in Dubai to another Citibank account in Geneva, also in the name of Capricorn Trading. In the following months, short-term transfers are made between the Geneva account and Citibank subsidiaries in the Channel Islands, earning tens of thousands of

dollars in interest.

6 NOV. 5, 1996 Benazir Bhutto is ousted as Prime Minister. About the same time, the Geneva Citibank account, said to contain \$40 million, is closed. The funds are transferred to Banque Financière de la Cité, also in Geneva.

NOVEMBER 1997 Mr. Razzak denies making payments to Mr. Zardari.

Credit: The New York Times
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